



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
TEGE EO Examinations Mail Stop 4920 DAL  
1100 Commerce St.  
Dallas, Texas 75242

501.03-00

Date: January 13, 2010

Release Number: 201017059

Release Date: 4/30/10

LEGEND

ORG = ORGANIZATION NAME

XX = DATE ADDRESS =

ADDRESS

Taxpayer Identification Number:

Person to Contact:

Employee Identification Number:

Employee Telephone Number:

ORG

ADDRESS

LAST DATE TO FILE A PETITION  
IN TAX COURT: April 13, 20XX

CERTIFIED MAIL – RETURN RECEIPT

Dear

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated July 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 20XX.

The revocation of your exempt status was made for the following reason(s):

Organizations described in IRC 501(c)(3) and exempt under section 501(a) must be both organized and operated exclusively for exempt purposes. You have failed to produce documents to establish that you are operated exclusively for exempt purposes and that no part of your net earnings inures to the benefit of private shareholders or individuals. You failed to respond to repeated reasonable requests to allow the Internal Revenue Service to examine your records regarding your receipts, expenditures, or activities as required by IRC 6001, 6033(a)(1) and Rev. Rul. 59-95, 1959-1 C.B. 627. Your organization has been inactive for several prior years and there have been no operations or financial activities conducted or planned. As such, you fail to meet the operational requirements for continued exemption under section 501(c)(3).

Contributions to your organization are no longer deductible under IRC §170 after January 1, 20XX.

**You are required to file income tax returns on Form 1120. These returns should be filed with the appropriate Service Center for the tax year ending December 31, 20XX, and for all tax years thereafter in accordance with the instructions of the return.**

**Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.**

**If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91<sup>st</sup> Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to the United States Tax Court at the following address:**

**You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:**

**See the enclosed Notice 1546, Taxpayer Advocate Service - Your Voice at the IRS, for Taxpayer Advocate telephone numbers and addresses.**

**You should contact your State officials if you have any questions about how this final determination may affect your State responsibilities and requirements.**

**If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.**

**Sincerely,**

**Nanette M. Downing  
Acting Director, EO Examinations**

**Enclosures:  
Publication 892  
Publication 1546**



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Mail Stop 1112, PO Box 12307  
Ogden, UT 84412

ORG  
ADDRESS

DATE OF THIS NOTICE:

CONTACT PERSON/ID NUMBER:

CONTACT TELEPHONE NUMBERS:

Toll Free  
Long Distance  
Fax

Employer Identification Number:  
Tax Period(s):  
Form(s):

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (IRC) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An appeals officer will review your case. The Appeals Office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

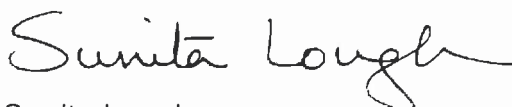
If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the IRC provides, in part "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the IRC.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Telephone Number (    ) \_\_\_\_\_ Hours \_\_\_\_\_

Sincerely,



Sunita Lough  
Director, EO Examinations

Enclosures:  
Publication 892  
Publication 3498  
Form 886A, Report of Examination

|  |                              |  |
|--|------------------------------|--|
| Form <b>886-A</b><br>(Rev. January 1994) | <b>EXPLANATIONS OF ITEMS</b> | Schedule number or exhibit             |
| Name of taxpayer<br>ORG                  | Tax Identification Number    | Year/Period ended<br>December 31, 20XX |

**LEGEND**

ORG = Organization name      XX = Date      State = state      Dir-1 & DIR-2 =  
1<sup>st</sup> & 2<sup>nd</sup> Directors

**Issue:**

Whether ORG qualifies for exemption under Section 501(c)(3) of the Internal Revenue Code.

**Facts:**

ORG has never filed Form 990 since receiving their exempt status in July of 20XX. According to the organizations website it was established for the purpose of providing a safe, stable and loving community for the unsettled children dependent on the state of State. The mission will be accomplished by meeting their physical, emotional, and spiritual needs in a comfortable atmosphere. Their intent is to transform the lives of the children and their families by equipping them with the skills a knowledge they need to succeed and function as a family. The ultimate goal of ORG is to reunite these enriched children with their parents in dependable environment.

The State Department of State Division of Corporations records indicate the organizations status as inactive with the officers being DIR-1 and DIR-2.

**Exhibit A** provides a list of the Internal Revenue Service correspondence or phone contact to Exempt Organization (EO) or Power of Attorney (POA) requesting that Exempt Organization file the Form 990 for the tax period ending December 31, 20XX.

**Summary of Exhibit A**

| Contact type | Correspondence sent / Phone contact | Date sent or called | Certified Mail? Y/N | Receipt Signed date or phone response                     | EO advised returns would be filed. |
|--------------|-------------------------------------|---------------------|---------------------|---|------------------------------------|
| Letter 3919  | Address, City State                 | 04-06-xx            | N                   |   |                                    |
| Letter 3919  | Address, City State                 | 04-06-xx            | N                   |   |                                    |
| Phone        | Address, City State                 | 01-09-xx            |                     | No answer the phone just rang, no voice mail.             |                                    |
| Letter 4055  | Address, City State                 | 01-14-xx            | Y                   | Y on 01-22-xx signed by DIR-2 also had another address of |                                    |
| Letter 4055  | Address, City State                 | 01-14-xx            | Y                   | Not delivered   |                                    |
| Letter       | Address, City State                 | 02-17-              | Y                   | Not   |                                    |

|  |                              |  |
|--|------------------------------|--|
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|                       |                     |          |   |                                  |  |
|-----------------------|---------------------|----------|---|----------------------------------|--|
| 1477                  |                     | xx       |   | delivered                        |  |
| Letter 1477           | Address, City State | 02-17-xx | Y | Y Dated 02-21-xx                 |  |
| EOCA Letter for Draft | Address, City State | 04-02-xx | Y | Y Dated 04-15-xx signed by DIR-2 |  |
| EOCA Letter for Draft | Address, City State | 04-02-xx | Y | Y Dated 04-10-xx signed by DIR-2 |  |

ORG has failed to respond to the Internal Revenue Service correspondence or file the Forms 990 for the tax period ending December 31, 20XX.

#### Law:

##### **501(c)(3)**

§501(c)(3) Organized and operates exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes and to foster national and amateur sports competition.

§Reg 1.501(c)(3)-1(a) In order to be exempt under §501(c)(3) the organization must be both organized and operated exclusively for one or more of the purposes specified in the section. (religious, charitable, scientific, testing for public safety, literary or educational)

IRC § 6001 provides that every person liable for any tax imposed by the IRC, or for the collection thereof, shall keep adequate records as the Secretary of the Treasury or his delegate may from time to time prescribe.

**Treas. Reg. § 1.6001-1(a)** in conjunction with **Treas. Reg. § 1.6001-1(c)** provides that every organization exempt from tax under IRC § 501(a) and subject to the tax imposed by IRC § 511 on its unrelated business income must keep such permanent books or accounts or records, including inventories, as are sufficient to establish the amount of gross income, deduction, credits, or other matters required to be shown by such person in any return of such tax. Such organization shall also keep such books and records as are required to substantiate the information required by IRC § 6033.

**Treas. Reg. § 1.6001-1(e)** states that the books or records required by this section shall be kept at all times available for inspection by authorized internal revenue officers or employees, and shall be retained as long as the contents thereof may be material in the administration of any internal revenue law.

**IRC § 6033(a)(1)** provides, except as provided in **IRC § 6033(a)(2)**, every organization exempt from tax under section 501(a) shall file an annual return, stating specifically the items of gross



|  |                              |  |                            |
|--|------------------------------|--|----------------------------|
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| Name of taxpayer<br>ORG                  | Tax Identification Number    | Year/Period ended<br>December 31, 20XX |                            |

income, receipts and disbursements, and such other information for the purposes of carrying out the internal revenue laws as the Secretary may by forms or regulations prescribe, and keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Secretary may from time to time prescribe.

**Treas. Reg § 1.6033-1(h)(2)** provides that every organization which has established its right to exemption from tax, whether or not it is required to file an annual return of information, shall submit such additional information as may be required by the district director for the purpose of enabling him to inquire further into its exempt status and to administer the provisions of subchapter F (section 501 and the following), chapter 1 of the Code and IRC § 6033.

**Rev. Rul. 59-95, 1959-1 C.B. 627**, concerns an exempt organization that was requested to produce a financial statement and statement of its operations for a certain year. However, its records were so incomplete that the organization was unable to furnish such statements. The Service held that the failure or inability to file the required information return or otherwise to comply with the provisions of IRC § 6033 and the regulations which implement it, may result in the termination of the exempt status of an organization previously held exempt, on the grounds that the organization has not established that it is observing the conditions required for the continuation of exempt status.

#### **Government's Position:**

In accordance with the above cited provisions of the Code and regulations under IRC §§ 6001 and 6033, organizations recognized as exempt from federal income tax must meet certain reporting requirements. These requirements relate to the filing of a complete and accurate annual information (and other required federal tax forms) and the retention of records sufficient to determine whether such entity is operated for the purposes for which it was granted tax-exempt status and to determine its liability for any unrelated business income tax.

Several attempts have been made to contact the organization in order to advise them of their delinquency in filing federal tax forms. Since the organization has not met the requirements to file federal returns they are not following the requirements for exempt status and fail to continue to qualify for tax exempt status.

#### **Organization's Position:**

Several attempts to contact the organizations have been made by either letters or phone calls. The correspondence was mailed certified. The certified receipts were signed by the DIR-2 and DIR-2 indicating they did receive the letters. According to the State of State they are officers of the organization. The signed certified receipt indicating they did receive the letters, but they have not responded.

|  |                              |  |                            |
|--|------------------------------|--|----------------------------|
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Due to the lack of response, the organization's position is unknown.

**Conclusion:**

It is the IRS's position that the organization failed to meet the reporting requirements under IRC §§ 6001 and 6033 to be recognized as exempt from federal income tax under IRC § 501(c)(3). Furthermore, the organization has failed to establish that it continues to qualify for tax exempt status. Accordingly, the organization's exempt status is revoked effective January 1, 20XX.

Form(s) 1120, U.S. Corporation Income Tax Return should be filed for the tax periods ending on or after December 31, 20XX.